

CHINA'S WTO ACCESSION AND PNTR: AMERICA'S CHOICE

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Thank you very much.

Let me thank Representative Paul Mannweiler of Indiana, President of the NCSL for inviting me to come speak at your plenary session today. I last came before you in February, at NCSL's Leader to Leader Conference, and it is a pleasure to be back.

A number of Legislators have made especially important contributions to our work, and let me recognize them here. As members of our Intergovernmental Policy Advisory Committee, John Dorso of North Dakota, Carol Fukunaga from Hawaii, James Lack of New York and Maryland Delegate Kenneth Montague have all helped to protect and advance the interests of states as we develop our trade initiatives. Likewise, Larry Diedrich of South Dakota and Clay Pope of Oklahoma, as chairs of the Agriculture and International Trade Committee, have helped us enormously and deserve special recognition.

THE STAKES

In just a few weeks, Congress will vote on permanent Normal Trade Relations for China, as China enters the World Trade Organization.

This is the most important trade and foreign policy decision America will make this year; perhaps the most important we have made in many years. The choice Congress makes will affect the prospects of your neighbors on the farm and on the job; reform and the rule of law in China; and America's most fundamental national interests.

But at the basic level, the WTO accession and PNTR are trade issues -- so let me speak for a few minutes on the implications they have for America's trade interests.

TRADE IMPLICATIONS

As a trade issue, the PNTR decision presents us with a simple choice.

Our agreement on WTO accession secures broad-ranging, comprehensive, one-way trade concessions on China's part. These concessions:

- Open China's markets to American exports of industrial goods, services and agriculture to a degree unprecedented in the modern era.
- Strengthen our guarantees of fair trade.
- Give us far greater ability to enforce China's trade commitments.
- And facilitate the WTO accession of Taiwan, which has made an equally valuable set of market access commitments.

By contrast, we change no market access policies -- not a single tariff line. We amend none of our trade laws and none of our laws controlling the export of sensitive technology. We agree only to maintain the market access policies we already apply to China, and have for over twenty years, by making China's current Normal Trade Relations status permanent.

This is the only policy issue before Congress. Regardless of our decision, China will enter the WTO. Regardless of our decision, it will continue to sell in the American market. The only question Congress will decide is whether we accept the benefits of China's accession and the agreement we negotiated; or whether by turning away from permanent NTR, we enable our competitors to get them while American entrepreneurs, farmers and factory workers are left behind.

ONE-WAY CONCESSIONS

What are these benefits?

Representatives of rural districts will see new markets open for our farms and ranches. On U.S. priority products, China's agricultural tariffs will drop from an average of 31% to 14% in January 2004. These include cuts from 40% to 12% for beef; 20% to 12% for pork; 40% to 10% for citrus. Access for bulk agricultural products like wheat, rice and cotton will grow through tariff-rate quotas that offer dramatic new opportunities, and the first rights for private trade in these products. China will end import bans, cap and reduce trade-distorting domestic supports, eliminate export subsidies, and base border inspections on science.

For university towns and high-tech centers, China will eliminate tariffs and quotas on high-tech goods semiconductors, pharmaceuticals and computers; and deeply cut tariffs on medical equipment, scientific instruments and other high-value products. It will give us new tools to protect the results of our research on software, semiconductors and other intellectual property-related goods. And it will eliminate forced technology transfer as a condition for investment in China.

For your friends and constituents on the factory floor, China will open export opportunities and strengthen guarantees of fair trade for manufacturing from steel to autos, agricultural equipment, wood products, and home appliances. Chinese tariffs on industrial goods will drop, from an average of 25% in 1997 to 9.4% by 2005. China will allow distribution and trading rights. We will eliminate unfair investment practices like local content requirements and

forced technology transfer. Beyond this, we will guarantee our right to use special methods to fight dumping for 15 years. And we will create a “product-specific safeguard” we can use to fight market-disrupting import surges for 12 years.

We also cover the artistic fields – books, music and film, as well as other copyright industries like software and video games – and each of the major services industries, from distribution to telecommunications, banking, insurance, motion pictures, accounting, law, travel and tourism, and other industries.

All these commitments are fully enforceable: through our trade laws; WTO dispute settlement; multilateral pressure from all 135 WTO members; increased monitoring by the U.S.; and other mechanisms such as the special anti-dumping and anti-import surge remedies.

Finally, and this is very important, China’s entry will facilitate the entry of Taiwan into the WTO, as Taiwan’s new leadership has noted in its formal support for China’s membership and normalized trade with the U.S.. Taiwan’s accession will have substantial direct trade benefits for the US, as Taiwan is already a larger export market for us than is China, and already is one of our largest markets for pork, seafood, grains and fruit.

PNTR

By contrast to these historic commitments, our sole obligation is to grant China permanent NTR. If we fail to do so, we risk losing the full benefits of the agreement we negotiated, including broad market access, special import protections, and rights to enforce China’s commitments through WTO dispute settlement.

This, in terms of our policy toward China, is no real change. NTR is simply the tariff status which every Administration and Congress in the past 20 years has reviewed and found, even at the periods of greatest strain in our relationship, to be in our fundamental national interest.

But the legislative grant of permanent NTR is critical. Without it, we will lose the vast majority of China’s concessions, while our competitors take full advantage of them. Japanese auto firms could sell where Americans could not. Northern tier farmers would see the Canadian Wheat Board get the benefits of the agreement Americans negotiated. Southwestern ranchers would lose out to Argentina and Australia; high-tech manufacturers in New England and Silicon Valley would see Europe and Japan take our markets; citrus growers in Southern California and Florida would lose to Brazil and Southeast Asia.

WTO ACCESSION AND CHINESE REFORM

So from an economic standpoint, rejection of permanent NTR would simply be a foolish decision. And this would likely be the least of the consequences.

As even my very brief review of China's commitments indicates, as it joins the WTO China will do much more than reduce tariffs and other trade barriers at the border. The WTO accession will, in fact, alter and reform policies dating to the very earliest years after the Communist revolution. China will –

- For the first time since the 1940s, permit foreign and Chinese businesses to import and export freely from China.
- Reduce, and in some cases remove entirely, state control over internal distribution of goods and the provision of services.
- Enable, again for the first time since the 1940s, foreign businesses to participate directly in information industries such as telecommunications, including the Internet.
- And subject government decisions in all fields covered by the WTO to impartial dispute settlement when necessary.

Many Hong Kong and Chinese activists for democracy and human rights see such commitments as a remarkable victory for reform. They include Bao Tong, jailed for seven years after Tiananmen Square, whose appeal to the UN Human Rights Commission drew worldwide sympathy last month; Martin Lee, the leader of Hong Kong's Democratic Party, who made a special trip to the United States last week to call on Congress for support for PNTR; Ren Wanding, a dissident who has spent years of his life in prison. This is why rejection of PNTR would be a blow to reform in China; and why support for WTO accession rests on a broader long-term commitment to human rights and freedoms, as well as new opportunities and strengthened guarantees of fairness for Americans.

WTO ACCESSION AND U.S. NATIONAL SECURITY

But the full significance of the decision Congress will make is only clear when we consider the WTO accession as part of a larger U.S. relationship with China -- a relationship that is of fundamental importance to peace and security in Asia and worldwide in the coming decades.

We have substantial differences with China on issues relating to human rights and religious freedom; on a number of security questions; and in other areas as well. In these we vigorously assert our interests and values. But we also act upon areas of shared interest and benefit whenever possible – in the Asian financial crisis, for example; and in our work to keep the peace on the Korean peninsula.

In the WTO accession and PNTR we have an opportunity of comparable importance: to create a more open and reformed Chinese economy, which more fully reflects the rule of law; to increase China's stake in prosperity and security beyond its borders; and to spur jobs, growth and rising living standards for America's farmers, businesses and workers. And we have created this opportunity through a series of one-way concessions made by China.

Were we to retreat and reject these one-way concessions, we would make a very dark

statement about the future possibility of a stable, mutually beneficial relationship with the world's largest country.

Such a stand would threaten every single interest we have in China -- from our work on non-proliferation and arms control, to reducing tensions in Korea and South Asia, and across the Taiwan Strait. It would complicate for the foreseeable future our Pacific alliances, as our Asian friends and allies would view rejection of PNTR as an unnecessary rejection of stable and constructive relations with their largest neighbor; and a turn away from the open, confident vision we have held for the Pacific over many years.

Over the long term, and perhaps most important, China -- seeing no economic reason for our decision -- would become more likely to read hostile intent into our every move. This in turn would raise the prospect that our present disagreements and tensions will escalate into a broader confrontation of great consequence for every Pacific nation and for ourselves.

CONCLUSION

That is the ultimate and most significant point at stake in the coming debate. To reject PNTR would do more than severely damage American trade interests: it would set back the cause of reform in China; and risk, without cause, a fundamental deterioration in our relationship with the world's largest country.

But if we have the wisdom and confidence to make the right choice, the WTO accession and PNTR offer us a remarkable opportunity: to help spur growth and opportunity at home; to strengthen prospects for long-term reform within China; and ultimately to help build a relationship with China that strengthens guarantees of peace and security for the world.

That is the opportunity before us. These are the stakes. Your friends and neighbors -- on the job, on the farm, on military bases -- have more at stake in this vote than in any other decision our government will make in this millennial year. And this is why it is so important that we approve permanent Normal Trade Relations for China, on the basis of our historic agreement.

Thank you very much, and now I will take your questions.